



State of South Carolina

Office of the Governor

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GOVERNOR

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June 14, 2007

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
Post Office Box 11867
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am hereby vetoing and returning without my approval H. 4178, R-150.

This bill is a joint resolution requiring the South Carolina Department of Health and Human Services (DHHS) to establish a Medicaid Transportation Advisory Committee to resolve beneficiary transportation issues and complaints. Though well-intentioned, I respectfully submit this bill is a duplication of existing efforts and would, in fact, hamper our ability to eliminate waste, fraud and abuse from the Medicaid program.

I say this because this joint resolution mirrors efforts already being instituted by DHHS. Part of the newly established transportation contract stipulates that transportation brokers must establish an "advisory committee" in each region served under the contract. Since there are six regions, there will be six advisory committees addressing similar Medicaid transportation issues.

Similar to the joint resolution, these six committees will consist of representatives from an adult day health care facility, dialysis center, hospital or other medical services providers, transportation providers and the beneficiary community. Quarterly meeting minutes are to be forwarded to the Department including a report noting patterns and trends. Having six regional committees allows for more diversity and participation from interested parties. With this joint resolution, many of the same entities may be represented on a regional, as well as on a statewide committee, causing unneeded confusion and a duplication of efforts. In addition, the contract requires the Broker to establish the six regional advisory committees at the Broker's expense – this joint resolution requires the state to bear the cost associated with establishing yet another advisory committee.

So, the bottom line is that I am vetoing this bill because I believe it duplicates existing efforts and, therefore, needlessly makes an additional claim on the taxpayers' wallet. To better understand the existing system, let me give you a little greater background.

As an additional tool to fight waste, fraud and abuse in the Medicaid system, DHHS competitively awarded contracts with two companies to serve as "transportation brokers" to increase efficiencies in the system and to provide more oversight of billing. This concept is not at all new. In fact, more than 20 other states have implemented the same type of oversight within their respective systems.

Right now, Medical Transportation Management (MTM) will operate in two regions and LogistiCare in the other four regions. The contract was established for three years with two one-year options to extend if we are satisfied with the service provided. Both companies began negotiating with many of the same transportation entities that were already providing services to reduce problems that would result from the transition.

For the record, the South Carolina Department of Health and Human Services has begun a review of its programs to determine ways to provide greater efficiency and integrity. It is estimated that approximately \$270 million is lost to waste, fraud and abuse each year in the Medicaid program. In the case of the Medicaid non-emergency transportation program – particularly non-emergency ambulance service – there have been cases of waste and abuse without any significant control methods.

Below is a sample of the things we uncovered in that investigation:

Investigations: DHHS is currently investigating or has recently closed cases on 11 ambulance providers. Of the 141 Medicaid ambulance providers, these 11 accounted for more than half of total non-emergency billings in Fiscal Year 2006, or about \$8.9 million.

In one case, the head of Northern Anderson County EMS pleaded guilty to Medicaid fraud for padding mileage and inappropriately billing Medicaid for more expensive transports than were actually warranted. He was required to reimburse \$463,000 in fraudulent claims.

Complaints: Numerous complaints and allegations of fraud and abuse against transportation companies have come directly from beneficiaries. For example, providers improperly sent ambulances (allowing for higher reimbursement) instead of vans to transport beneficiaries. In some cases, patients were observed sitting in the front seat of the ambulance during the rides.

False records: Before DHHS utilized the new broker system, the only assurance the Department had that an ambulance transport in a non-emergency situation was medically justified was through a specific form. The Program Integrity Group at DHHS found numerous examples of these forms being copied and used for more than one patient, of physician signatures being forged and of mileage not being properly recorded.

Improper billing: DHHS found cases of medical providers refusing to sign transport justification forms. However, Medicaid was ultimately billed for the trip.

Excessive transports: Many billings for Medicaid recipients appeared excessive or unwarranted. For example, a non-emergency ambulance provider in 2006 billed Medicaid for transporting one patient on hundreds of separate trips totaling \$22,000.

Unaccountable drivers: In December 2006, a citizen reported to authorities a Medicaid transportation driver using a state-authorized vehicle during work hours to buy alcohol at a liquor store. Two other drivers were observed shopping at flea markets during work hours, again using a state vehicle. Another driver was observed sharing his gasoline account card with friends at a gas station.

As a result, the new transportation broker accountability program began on May 1, 2007, and has had an immediate impact on operations. These positive changes should be noted. During the first week, DHHS

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received numerous reports from the new broker call centers of people trying to schedule inappropriate rides that previously were being provided – and billed to Medicaid – under the old system. One Upstate transportation company saw its volume of non-ambulance transports approximately double from about 225 trips to 460 trips per day. This was largely attributed to a high volume of improper ambulance transports prior to the broker system. Under the new broker system, these transports are being automatically assigned to more appropriate modes of transportation, ultimately saving taxpayers funding.

We welcome oversight of the program and its implementation. If the sponsors of this legislation would like to do their due diligence as members of the House and perform oversight in the next legislative session, we will work to provide all of the data necessary to assist. However, I do not believe that we need to duplicate an effort already being performed under the terms of the contract at the expense of the broker. It will only serve to, I believe, slow down efforts to root out waste, fraud and abuse.

For these reasons, I am vetoing H. 4178, R-150.

Sincerely,



Mark Sanford

cc: The Honorable Tracy R. Edge
The Honorable Michael W. Gambrell
The Honorable David R. Hiott
The Honorable Dennis C. Moss